

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-378-E**

IN THE MATTER OF	APPLICATION FOR GENERAL
LOCKHART POWER COMPANY	INCREASE IN ELECTRIC RATES

Lockhart Power Company (Lockhart) is a public utility operating in South Carolina, where it is engaged in the generation, transmission, distribution and sale of electricity to the public for compensation. Its address is Post Office Box 10, Lockhart, South Carolina 29364. Schedules of its rates and charges for electric service to the public in South Carolina are on file with this Commission, and its rates have been made, fixed and allowed by this Commission as provided by law in Docket No. 2010-181-E, Order No. 2011-564. A copy of these rates is included in this application as Exhibit D Present Rates.

Lockhart would respectfully show unto this Honorable Commission:

1. That in accordance with the provisions of the Code of Laws of South Carolina (1976), as amended, and the Commission's Rules of Practice and Procedure, as amended, Lockhart has attached hereto Proposed Rates which will produce a rate of return on retail rate base of 12.5% during the test year after appropriate pro forma adjustments have been made.

2. That a 12.5% return on retail rate base is a fair and reasonable rate of return for Lockhart.

3. That the proposed rates will produce an overall increase in retail revenues of 6.77% or a \$1,203,215 annual increase over the present test year retail revenue. However, each class of customers' average increase varies considerably from this overall increase. Lockhart has designed its rates in a way that will move most customer classes toward the average rate of return, while mitigating the impact of the increase on any individual class of customers.

4. That Lockhart has been making investments in its generation, transmission, and distribution systems. Consequently, Lockhart's return on rate base for its retail operations as adjusted is only 4.07% for the 12 months ended December 31, 2012 – the Test Year. In addition, Lockhart has recently made three significant investments in generation, which contribute toward the decreased return on rate base.

5. That Lockhart requests that its construction of the new 1.1 MW Upper Pacolet Hydroelectric generation station in Pacolet, South Carolina and the associated requested rate treatment be approved.

6. Lockhart also requests that its construction of the new 0.8 MW Lockhart Minimum Flow Hydroelectric generation station in Lockhart, South Carolina and the associated requested rate treatment be approved.

7. Lockhart also requests that its capital investment in generation resources for the 10.6 MW Columbia Hydroelectric generation station located at the terminus of the Columbia Canal on Gervais Street in Columbia, South Carolina and the associated requested rate treatment be approved.

8. That attached hereto and incorporated fully herewith by reference are Exhibit A (Certain Financial Data), Exhibit B (Cost of Service Data), Exhibit C (Rate

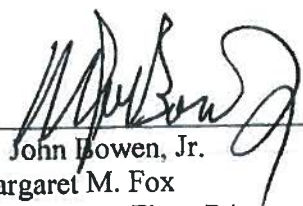
Comparisons of Present and Proposed Rates), Exhibit D (Present Rates), and Exhibit E (Proposed Rates).

9. , That the full names and addresses of authorized representatives and persons filing the application are:

M. John Bowen, Jr.
McNair Law Firm, PA
P.O. Box 11390
1221 Main Street (29201)
Columbia, South Carolina 29211
(803) 799-9800
jbowen@mcnair.net

Bryan D. Stone
Lockhart Power Company
P.O. Box 10
Lockhart, South Carolina 29364
(864) 545-2211
bstone@lockhartpower.com

WHEREFORE, the applicant, Lockhart Power Company, requests that this Commission inquire into the matters set forth herein; that it approve the proposed rate schedules herein and provide for such other and further relief as the Commission shall deem proper.



M. John Bowen, Jr.
Margaret M. Fox
McNair Law Firm, PA
Post Office Box 11390
Columbia, SC 29211
(803) 799-9800
jbowen@mcnair.net
pfox@mcnair.net

Attorneys for Applicant
Lockhart Power Company

March 24, 2014

Columbia, South Carolina

TABLE OF CONTENTS – EXHIBIT A

<u>DESCRIPTION</u>	<u>EXHIBIT</u>
BALANCE SHEET.....	A1
PROFIT AND LOSS STATEMENT.....	A2
ACCOUNTING AND PROFORMA ADJUSTMENTS.....	A3
MBR SALES AND EXPENSE ADJUSTMENTS.....	A3-7a
COLUMBIA HYDRO REVENUE & EXPENSE ADJUSTMENTS.....	A3-7b
COLUMBIA HYDRO PLANT & ACCUMULATED AMORTIZATION ADJUSTMENTS.....	A3-7c
DSM REVENUE AND EXPENSE OFFSET REMOVAL ADJUSTMENTS.....	A3-7d
PROFORMA UTILITY PLANT.....	A3-8
PROFORMA DEPRECIATION AMORTIZATION.....	A3-9
PROFORMA PROPERTY-RELATED TAX.....	A3-10
PROFORMA UPPER PACOLET HYDRO PLANT OPERATING EXPENSE.....	A3-11
PROFORMA LOCKHART MINIMUM FLOW HYDRO PLANT OPERATING EXPENSE.....	A3-12
PROFORMA PURCHASED POWER EXPENSE.....	A3-13
PROFORMA WAGE INCREASE ANNUALIZATION.....	A3-14
PROFORMA EMPLOYEE COUNT ADJUSTMENT.....	A3-15
PROFORMA FRINGE BENEFITS ON EARNINGS-RELATED ADJUSTMENTS.....	A3-16
PROFORMA OFFICER'S PERFORMANCE BONUS ADJUSTMENT.....	A3-17

PROFORMA RATE CASE EXPENSE.....	A3-18
PROFORMA LEASE OF NEW OFFICE SPACE.....	A3-19
PROFORMA INDUSTRIAL CUSTOMER POWER FACTOR ADJUSTMENT.....	A3-20
PROFORMA SMALL HYDRO PLANT SALES OF GENERATION OFF-SYSTEM.....	A3-21
PROFORMA COLUMBIA HYDRO REVENUE & EXPENSE.....	A3-22
PROFORMA I.T. INFRASTRUCTURE COST.....	A3-23
PRESENT REVENUES vs. REVENUES AT EQUAL RATE OF RETURN vs. REVENUES FOR PROPOSED RATES.....	A4
RETAIL RATE BILLING DETERMINANTS.....	A5
COMPUTATION OF POWER ADJUSTMENT CLAUSE BASE AMOUNT.....	A6
RATES OF RETURN ON RATE BASE AND EQUITY.....	A7
FIXED ASSETS AND DEPRECIATION RESERVE.....	A8

LOCKHART POWER
BALANCE SHEET

For the Twelve Months Ending December 31, 2012

CURRENT YEAR
Y-T-D AMOUNT

LAST YEAR
Y-T-D AMOUNT

ASSETS

UTILITY PLANT

Intangibles - Electric	\$5,991,069.56	\$5,991,069.56
Land - Electric	377,836.80	377,836.80
Land Improvements - Electric	4,950,806.64	4,950,806.64
Buildings - Electric	726,498.47	726,498.47
Machinery & Equipment - Electric	43,838,337.76	39,790,381.95
Electric Plant Acquisition Adjustment	303,996.00	303,996.00
Construction Work In Progress	10,266,504.20	7,974,342.51
Total Plant	66,354,849.43	80,014,731.93

LESS: ACCUMULATED DEPRECIATION & AMORTIZATION

Accumulated Amortization: Intangibles - Electric	540,347.88	315,581.18
Accumulated Depreciation: Land Improvements - Electric	2,490,656.10	2,413,866.28
Accumulated Depreciation: Buildings - Electric	428,886.80	413,928.55
Accumulated Depreciation: Machinery & Equipment - Electric	22,021,819.52	20,846,031.64
Accumulated Amortization: Electric Plant Acquisition Adjustment	31,525.00	25,705.00
Net Cost of Asset Removal	(68,768.39)	(1,582.59)
Total Accumulated Depreciation & Amortization	25,442,246.91	23,813,530.06
Net Utility Plant	40,912,602.52	36,201,201.87

NONUTILITY PROPERTY & OTHER INVESTMENTS

	268,083.38	287,129.91
--	------------	------------

CURRENT ASSETS

Cash	2,156,985.59	3,721,804.19
Working Funds	600.00	600.00
Accounts Receivable - Customers	3,053,259.13	2,372,285.00
Accounts Receivable - Other	107,881.34	67,184.38
Inventory - Materials & Supplies	427,782.35	408,895.75
Prepayments & Clearing Accounts	260,450.49	186,137.62
Miscellaneous Current & Accrued Assets	266,211.95	228,959.08
Total Current Assets	6,273,170.85	6,983,866.02

OTHER ASSETS

Regulatory Assets	38,359.13	104,117.81
Other Deferred Debits	329,120.50	319,039.27
Deferred Income Tax Asset	504,105.00	539,299.00
Total Other Assets	871,584.63	962,456.08
TOTAL ASSETS	48,325,441.38	44,434,653.88

A1
PAGE 1 OF 2

LOCKHART POWER
BALANCE SHEET
For the Twelve Months Ending December 31, 2012

CURRENT YEAR LAST YEAR
Y-T-D AMOUNT Y-T-D AMOUNT

EQUITY		
COMMON STOCK	\$300,000.00	\$300,000.00
ADDITIONAL PAID-IN CAPITAL	5,000,000.00	
RETAINED EARNINGS		
Balance - Beginning of Year	32,741,629.77	29,858,014.36
Net Income - Year to Date	2,908,267.32	3,083,815.41
Balance - Year to Date	35,647,897.09	32,741,629.77
TOTAL EQUITY	40,947,897.09	33,041,629.77
LIABILITIES		
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	2,758,289.31	1,730,891.44
Customer Deposits	206,750.00	194,055.00
Accrued Taxes - Property, Payroll, Etc.	5,154.84	(1,736.98)
Accrued State Income Tax	(250,307.05)	(150,307.05)
Accrued Federal Income Tax	104,788.74	256,635.74
Tax Collections Payable	18,079.09	23,714.09
Miscellaneous Current & Accrued Liabilities	294,103.08	220,031.73
Total Current Liabilities	3,136,855.81	2,273,283.96
LONG TERM LIABILITIES		
Regulatory Liabilities	7,375.00	9,599.00
Deferred Income Tax Credits	13,601.48	17,700.15
Deferred Income Tax Liability	4,219,712.00	4,092,441.00
Total Long Term Liabilities	4,240,688.48	4,119,740.15
TOTAL LIABILITIES	7,377,544.29	6,393,024.11
TOTAL EQUITY & LIABILITIES	48,325,441.38	39,434,653.88

A 1
PAGE 2 OF 2

LOCKHART POWER
LPC PROFIT & LOSS STATEMENTS
For the Twelve Months Ending December 31, 2012

	CURRENT MONTH AMOUNT	LAST YEAR CURREN MONTH AMOUNT	CURRENT YTD AMOUNT	LAST YEAR YTD AMOUNT	CURR. YTD (-) LAST YEAR YTD AMT.	% CHANGE	CURR. YEAR YTD BUDGET	YTD BUDGET (-) YTD AMOUNT
ELECTRIC REVENUE								
RETAIL SALES								
Residential Revenue	\$699,817.63	\$678,004.37	\$7,816,052.94	\$8,187,354.51	(\$251,301.57)	-3.08%		(\$7,916,052.94)
Commercial Revenue	184,330.55	172,082.42	2,043,785.33	2,032,807.25	10,978.08	0.54%		(2,043,785.33)
Industrial Revenue	568,317.97	628,550.17	6,971,855.90	6,206,377.58	765,478.32	12.33%		(6,971,855.90)
Street Lighting Revenue	33,504.05	32,573.71	385,541.66	374,953.88	20,587.78	5.49%		(385,541.66)
Total Retail Sales	1,467,843.81	1,411,225.87	17,374,311.12	18,828,828.30	545,394.82	3.24%		(17,374,311.12)
WHOLESALE SALES								
Resale Revenue - COSAC	834,276.07	777,075.16	10,140,908.38	10,120,220.87	20,885.71	0.20%		(10,140,908.38)
Resale Revenue - Carhill - MBR - Lockhart	68,445.78	192,839.88	794,411.14	1,472,812.05	(678,400.91)	-86.08%		(794,411.14)
Resale Revenue - Duke - Minimum Flow	645.40		645.40		645.40	0.00%		(645.40)
Resale Revenue - Duke - Lower Pacolet	16,537.36	77,808.48	108,102.97	345,305.87	(237,202.90)	-219.31%		(108,102.97)
Resale Revenue - Duke - Wellford Landfill Gas	78,208.12	183,988.77	810,205.11	810,205.11		0.00%		(810,205.11)
Resale Revenue - SCE&G - Columbia Hydro	75,928.38	1,231,813.27	988,823.28	180,423.45	778,399.84	408.77%		(988,823.28)
Total Wholesale Sales	1,072,040.12	2,263,915.06	12,823,094.28	12,128,762.04	694,332.25	5.73%		(12,823,094.28)
Total Electric Sales	2,539,883.93	2,648,839.24	30,197,405.41	28,957,888.34	1,239,517.07	4.28%		(30,197,405.41)
OTHER ELECTRIC REVENUE								
Rent - Elec. Prop/Other Elec. Revenue	8,079.00	8,145.73	151,715.61	23,903.55	127,812.06	534.70%		(151,715.61)
Deferred Discounts	919.17	688.81	9,701.75	11,417.38	(1,715.63)	-15.03%		(9,701.75)
Total Other Electric Revenue	2,548,882.10	2,657,671.78	30,358,822.77	28,983,009.27	1,365,813.50	4.71%		(30,358,822.77)
MEMO P.P.A. - RETAIL INCLUDED ABOVE								
	244,833.38	194,678.82	2,182,310.00	3,003,740.00	(821,429.00)	-27.35%		(2,182,310.00)
ELECTRIC EXPENSES								
COST OF POWER PROVIDED								
Hydro Production Expenses	147,797.55	138,780.78	1,435,970.55	943,135.95	492,834.60	52.25%		(1,435,970.55)
Diesel Production Expenses	39,982.21	2,668.60	209,886.37	235,558.12	(25,659.75)	-10.98%		(209,886.37)
Landfill Gas Production Expenses	7,509.88	35,952.74	353,181.62	123,487.05	229,694.57	185.98%		(353,181.62)
Purchased Power - Duke - Regulated	1,474,229.94	1,337,694.27	16,828,061.12	16,786,459.88	30,601.23	0.18%		(16,828,061.12)
Purchased Power - Carhill - MBR - Lockhart	62,539.41	159,288.17	714,125.33	1,184,650.38	(480,525.05)	-67.28%		(714,125.33)
Total Cost of Power Provided	1,732,029.97	1,674,384.57	19,539,044.98	19,292,293.38	246,745.90	1.26%		(19,539,044.98)
OTHER ELECTRIC EXPENSES								
Transmission Expenses	19,825.78	19,439.72	249,171.76	261,089.88	(11,918.12)	-4.56%		(249,171.76)
Distribution Expenses	79,798.81	158,236.23	837,909.84	968,549.37	(130,839.73)	-13.49%		(837,909.84)
Customer Accounting Expenses	51,008.86	44,980.28	405,445.01	388,338.48	19,106.52	4.85%		(405,445.01)
General & Administrative Expenses	314,731.53	127,923.03	2,209,636.06	1,683,194.58	526,441.48	31.28%		(2,209,636.06)
Depreciation & Amortization	150,029.28	133,388.80	1,654,164.28	1,322,043.36	332,140.93	25.12%		(1,654,164.28)
Acquisition Adjustment Amortization	485.00		5,820.00			0.00%		(5,820.00)
General Taxes	129,884.23	103,432.27	1,253,853.80	1,139,709.16	114,144.64	10.02%		(1,253,853.80)
Total Other Electric Expenses	745,601.49	587,888.43	6,818,020.98	5,768,742.84	949,277.72	14.73%		(6,818,020.98)
Total Electric Expense	2,477,631.46	2,262,271.00	28,155,065.55	25,059,042.23	1,086,023.32	4.37%		(28,155,065.55)
ELECTRIC OPERATING INCOME								
	71,251.64	395,400.78	4,203,757.22	3,833,967.04	269,790.18	6.86%		(4,203,757.22)
OTHER INCOME & EXPENSES								
Interest Income	88.57	201.73	1,123.32	3,188.68	(2,065.36)	-84.86%		(1,123.32)
Miscellaneous Income	(14,435.67)	(10,888.55)	428,783.48	107,007.63	321,775.85	300.70%		(428,783.48)
Miscellaneous Income (Deductions)	(19,188.30)	(5,623.48)	(28,486.31)	(15,238.01)	(13,248.30)	86.94%		(28,486.31)
Interest Expense	(589.95)	(21,390.40)	(82,342.07)	(85,370.59)	(2,971.51)	48.71%		(82,342.07)
Total Other Income & Expenses	(34,133.05)	(37,813.70)	319,078.43	38,985.74	278,482.69	705.84%		(319,078.43)
NET INCOME BEFORE TAX								
	37,118.59	357,487.08	4,522,835.65	3,973,952.78	548,882.87	13.82%		(4,522,835.65)
INCOME TAXES								
Current State	(223,000.00)	(187,561.00)	1,460,425.00	(2,561.00)	2,561.00	-100.00%		(1,460,425.00)
Current Federal	12,425.00	281,850.00	52,443.00	1,474,650.00	(1,422,207.00)	-98.89%		(52,443.00)
Deferred State	52,443.00	(449,188.00)	52,443.00	(449,188.00)		0.00%		(52,443.00)
Deferred Federal	107,799.00	(128,538.00)	107,799.00	(128,538.00)		0.00%		(107,799.00)
Amortization of ITC	(4,098.67)	(4,213.63)	(4,098.67)	(4,213.63)		0.00%		(4,098.67)
Total Income Tax	(54,431.67)	(488,062.63)	1,616,568.33	889,547.37	726,921.36	81.65%		(1,616,568.33)
NET INCOME AFTER TAX								
	91,686.28	845,538.71	2,906,267.32	3,083,405.41	(177,138.09)	-5.76%		(2,906,267.32)

A2

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Operating Experience, Rate Base, and Rate of Return

	(1) Historical Per Books Adjusted	(2) Retail	(3) Pro Forma Adjustments System	(4) Pro Forma Adjustments Retail	(5) Retail as Adjusted	(6) Effect of Proposed Increase	(7) Retail after Increase
Operating Revenue							
1 Rate Revenue	27,909,511	17,768,605	(4,098,003)	(2,351,085) (1)	15,417,520	3,554,299	18,971,820
2 Other Revenue	1,033,331	598,948	3,885,044	2,202,085 (2)	2,801,033	0	2,801,033
3 Total Operating Revenue	28,942,842	18,367,553	(212,959)	(148,999)	18,218,553	3,554,299	21,772,853
Operating Expenses							
4 Purchased Power	17,220,353	9,441,096	(135,588)	(85,351) (3)	9,355,745	0	9,355,745
5 Production	1,590,566	896,801	850,586	479,835 (4)	1,376,636	0	1,376,636
6 Transmission	249,172	139,918	12,701	7,132 (5)	147,050	0	147,050
7 Distribution	837,910	818,838	61,636	60,269 (5)	879,107	0	879,107
8 Customer Accounting	405,445	391,505	37,671	36,376 (5)	427,881	0	427,881
9 Administrative & General	2,128,552	1,626,077	129,219	98,087 (6)	1,724,163	0	1,724,163
10 Regulatory Expense	73,559	65,759	(33,259)	(33,259) (7)	32,500	0	32,500
11 Depreciation	1,460,005	1,141,882	702,169	429,932 (8)	1,571,814	0	1,571,814
12 Other Taxes	1,252,717	923,322	178,451	63,042 (9)	986,365	12,413	998,778
13 State Income Taxes	186,228	146,118	(100,827)	(60,253) (10)	85,865	177,094	262,959
14 Federal Income Taxes	1,203,034	943,921	(651,344)	(389,235) (11)	554,686	1,144,029	1,698,715
15 Amort. Inv. Tax Credit	(4,099)	(3,124)	0	184 (16)	(2,940)	0	(2,940)
16 Total Operating Expenses	26,603,442	16,532,112	1,051,415	606,759	17,138,871	1,333,537	18,472,407
Income for Return							
17 Net Operating Income	2,339,400	1,835,441	(1,264,374)	(755,758)	1,079,683	2,220,763	3,300,445
18 plus Customer Growth	10,106	7,929	(5,462)	(3,265) (12)	4,664	9,594	14,258
19 less Int. on Cust. Dep.	6,401	6,401	0	0	6,401	0	6,401
20 Total Income for Return	2,343,105	1,836,969	(1,269,836)	(759,023)	1,077,946	2,230,356	3,308,302
Original Cost Rate Base							
21 Plant in Service	51,088,345	38,936,848	17,482,340	10,242,356 (13)	49,179,204	0	49,179,204
22 Accumulated Depreciation	25,208,914	19,617,004	2,083,949	1,422,989 (14)	21,039,993	0	21,039,993
23 Total Net plant	25,879,431	19,319,844	15,398,391	8,819,367	28,139,211	0	28,139,211
24 Additions							
25 Constr. Work in Prog.	8,900,823	5,328,872	(7,723,046)	(4,417,749) (15)	911,122	0	911,122
26 Materials & Supplies	427,782	293,048	0	(74) (16)	292,975	0	292,975
27 Cash Working Capital	0	0	0	0	0	0	0
28 Deductions							
29 Accum. Def. Inc. Taxes	3,722,982	2,837,461	0	(167,321) (16)	2,670,139	0	2,670,139
30 Customer Deposits	206,750	206,750	0	0	206,750	0	206,750
31 Total Year End Rate Base	31,278,304	21,897,553	7,675,345	4,568,865	26,466,418	0	26,466,418
32 Rate of Return	7.49%	8.39%			4.07%		12.50%

Lockhart Power Company

Docket No. 2013-378-E

Proforma Adjustments

(1) Rate Revenue

Revenues are adjusted to reflect the effect of proforma adjustments in the Power Adjustment Clause. The proforma decrease in purchased power cost is reflected in the Power Adjustment Clause. Off-system sales are credited in the PAC. These PAC adjustments were allocated to rate classes based on kilowatt-hour sales. * An adjustment is made for a known change in power factor billing for one Industrial customer.

(\$135,994)	Reduced purchased power costs in PAC * **	A3-13
(\$3,896,699)	Additional Off-System Sales Credited to PAC	(2) *
\$35,499	PAC cost not recovered from lighting rates *	
(\$3,997,194)	Total PAC Adjustment	
(\$100,809)	Industrial Customer Power Factor Adjustment **	A3-20
(\$4,098,003)	Total Rate Revenue Adjustment	

(2) Other Revenue

Output from Columbia Hydro and three small hydro projects is sold off-system and recorded as Other Revenue.

\$2,503,643	Revenue from Columbia Hydro off-system sales **	A3-22
\$1,381,401	Additional revenue from small hydro off-system sales **	A3-21
\$3,885,044	Total Adjustment	

(3) Purchased Power

Purchased power costs were adjusted to reflect a Duke billing adjustment for 2010, the Duke wholesale billing true-up for 2012, and the increased purchases required to replace the Upper Pacolet generation to be sold off system.

\$68,484	Remove Duke credit for overcharge in 2010 **	A3-13
(\$320,524)	Reflect Duke true-up after the close of the year **	A3-13
\$116,453	Increased purchases to replace Upper Pacolet generation **	A3-13
(\$135,587)	Total Adjustment	

(4) Production Expense

Production Expense was adjusted to reflect the additional hydroelectric expenses associated with three plants, and the production portion of the \$285,452 labor adjustment.

\$535,804	Columbia Hydro Expense **	A3-22
\$106,068	Upper Pacolet Expense **	A3-11
\$77,140	Lockhart Minimum Flow Plant Expense **	A3-12
\$131,574	Production portion of Labor Adjustment	(5) *
\$850,586	Total Adjustment	

(5) Labor Adjustment

Wage Increase Annualization and Employee Count adjustments were made to Production, Transmission, Distribution, Administrative and General, and Customer Accounting expense proportional to labor ratios, as shown on the Proforma Adjustment Worksheet. The total adjustment is \$285,452. * ** A3-14 & A3-15

(6) Administrative and General Expense

Adjustments were made to Administrative and General Expense as follows.

\$41,870	A&G portion of Labor Adjustment * **	(5)
\$30,417	A&G Portion of Fringe Benefits on Wage Adjustments * **	A3-16
(\$87,000)	Officer's Performance Bonus Adjustment **	A3-17
\$104,000	Adjustment for Lease of New Office Space **	A3-19
\$1,160	Columbia Hydro Adjustment **	A3-22
\$38,772	I.T. Infrastructure Cost Adjustment **	A3-23
\$129,219	Total Adjustment	

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Company

Docket No. 2013-378-E

Proforma Adjustments

(7) Regulatory Expense

Professional services cost of \$130,000 for retail rate case amortized over 4 years less the amount in the historical test year.

**

\$32,500	Amortize for 4 years — \$130,000 **	A3-18
(\$65,759)	Amount in 2012 Test Year **	A3-18
<u>(\$33,259)</u>	Adjustment	

(8) Depreciation Expense

The computation of the Annualized Proforma Adjustment amounts is shown on the Proforma Depreciation & Amortization worksheet (A3-9). The amount of these adjustments allocated to retail, and to each class of service, depends on the different functionalization and allocation ratios of the individual elements: Production, Transmission, Distribution, and General. An adjustment is also made for amortization of the Columbia Hydro Intangible Plant.

\$502,169	Proforma Depreciation & Amortization worksheet column (K) **	A3-9
<u>\$200,000</u>	Amortization of Columbia Hydro Intangible Plant **	A3-22
<u>\$702,169</u>	Adjustment	

(9) Other Taxes

Adjustments to Other Taxes were made as follows. The revenue tax adjustment is computed by applying the revenue adjustment of (\$212,959) to the revenue tax rate of \$101,081 / \$28,942,842 from the Historical Cost Study.

\$137,546	Property-related Tax Adjustment **	A3-10
\$25,922	Payroll Tax Portion of Fringe Benefits Adjustment * **	A3-16
\$15,727	Columbia Hydro	A3-22
<u>(\$744)</u>	Revenue Tax adjustment due to adjusted revenues	(1)+(2) x rate
<u>\$178,451</u>	Total Adjustment	

(10) State Income Taxes

Adjust state income taxes for change in taxable income due to other proforma adjustments. Deductible expenses are total expenses less income taxes and AITC. The retail adjustment is verified below.

(\$148,999)	Adjustment to Revenue
<u>\$1,056,063</u>	less Adjustment to Deductible Expenses
<u>(\$1,205,062)</u>	Adjustment to taxable income
0.05	State Tax Rate
<u>(\$60,253)</u>	Adjustment to State Income Tax (retail)

(11) Federal Income Taxes

Adjust federal income taxes for change in taxable income due to other proforma adjustments. Deductible expenses are total expenses less federal income taxes and AITC. The retail adjustment is verified below.

(\$1,205,062)	Adjustment to Taxable Income (from #10 above)
<u>(\$60,253)</u>	less State Tax Adjustment
<u>(\$1,144,809)</u>	Adjustment to Federal Taxable Income
0.34	Federal Tax Rate
<u>(\$389,235)</u>	Adjustment to Federal Income Tax (retail)

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Company

Docket No. 2013-378-E

Proforma Adjustments

(12) Customer Growth

Adjust Customer Growth for change in Net Operating Income. The retail adjustment is:

(\$755,758)	Change in NOI Retail
0.00432	Customer Growth Factor
<u>(\$3,265)</u>	Adjustment

(13) Plant In Service

Adjust Electric Plant for the Columbia Hydro Intangible Plant and for changes since 12/31/2013 including a reclass of Columbia Hydro CWIP. The amount of these adjustments allocated to retail, and to each class of service, depends on the different functionalization and allocation ratios of the individual elements: Production, Transmission, Distribution, General, and Intangible. **

\$5,000,000	Columbia Hydro Intangible Plant Removed from Historical **	A3-7c
<u>\$12,482,340</u>	Net Change from 12/31/2012 **	A3-8
\$17,482,340	Total Adjustment	

(14) Accumulated Depreciation

Accumulated Depreciation is adjusted to reflect the balances shown on the Proforma Depreciation & Amortization worksheet (A3-9). The amount of these adjustments allocated to retail, and to each class of service, depends on the different functionalization and allocation ratios of the individual elements: Production, Transmission, Distribution, General, and Intangible. **

\$1,850,616	Proforma Depreciation & Amortization worksheet line 60 **	A3-9
<u>\$233,333</u>	Columbia Hydro AD Removed from Historical **	
\$2,083,949	Adjustment	

(15) Construction Work In Progress

Adjust CWIP to reflect balances as of 7/31/2010 and adjust for the Wellford Plant and the City of Union diesels. The capital portion of the wage adjustment is applied to CWIP.

(\$9,169,826)	Net Change from 12/31/2012 **	A3-8
\$1,365,681	Columbia Hydro CWIP Removed from Historical **	A3-7c
<u>\$81,099</u>	Capital portion of Labor Increase Adjustment * **	A3-14 & 15 *
(\$7,723,046)	Total Adjustment	

(16) Retail Adjustments due to Changes in Functionalization and Allocation.

Some proforma adjustments result in changes in functionalization ratios and/or allocation factors. For example, a proforma adjustment to Production Plant will affect all accounts functionalized based on plant balances that include Production Plant. Therefore, a cost allocated to retail may reflect a proforma adjustment even though no direct adjustment was made to the cost account.

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma Adjustment Worksheet

Allocate Labor Expense to Production, Transmission, Distribution, A&G, and Customer Acctg.

	(1) Labor	(2) Ratio	(3) Adjust
1 Production	986,454	0.4609	131,574
2 Transmission	95,226	0.0445	12,701
3 Distribution	462,108	0.2159	61,636
4 Administrative & Gen	313,914	0.1467	41,870
5 Customer Accounting	282,434	0.1320	37,671
6 Total Labor	2,140,136	1.0000	285,452 *
7 Wage Increase Annualization			126,490
8 Employee Count Adjustment			158,962
9 * Total Labor			285,452

Allocate Distribution Expense Adjustment Proportionally

	(1) Historical	(2) Ratio	(3) Adjust	(4) Proforma
Distribution Expense				
10 Substations	95,139	0.1135	6,998	102,137
11 Lines	347,318	0.4145	25,548	372,866
12 Transformers	11,639	0.0139	856	12,495
13 Services	43,620	0.0521	3,209	46,829
14 Meters	79,729	0.0952	5,865	85,594
15 Lighting	51,538	0.0615	3,791	55,329
16 Supv. Engrng. & Other	208,927	0.2493	15,369	224,296
17 Distribution Expense Total	837,910	1.0000	61,636	899,546

Allocate Labor Capital Adjustment to CWIP

	(1) Proforma	(2) Ratio	(3) Adjust
18 Production - Hydro	102,437	0.0934	7,575
19 Production - Other	0	0.0000	0
20 Transmission	167,618	0.1528	12,395
21 Distribution	496,281	0.4525	36,700
22 General	145,421	0.1326	10,754
23 Intangible	184,921	0.1686	13,675
24 Total CWIP	1,096,678	1.0000	81,099

Allocate Fringe Benefits Adjustment to A&G and Payroll Taxes

	(1) Ratio	(2) Adjust
25 Administrative & General	0.5399	30,417
26 Payroll Taxes	0.4601	25,922
27 Total Fringe Benefits Adjustment	1.0000	56,339

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma Adjustment Worksheet

Compute Proforma Adjustment for PPA Revenues

	(1) Historical Case	(2) Proforma Adjustment	(3) Proforma Case
1 Purch Power Cost	17,220,353	(135,587)	17,084,766
2 kWh Sales	323,250,531	0	323,250,531
3 Cost per kWh	0.053272		0.052853
4 Base Cost per kWh	0.033379		0.033379
5 Cost less Base - PPA	0.019893		0.019474
6 PPA x Sales	6,430,574		6,294,987
7 GRT @ 0.003	19,292		18,885
8 PPA incl GRT	6,449,865	(135,994)	6,313,871

**Adjust Revenues for PAC Effect of Proforma Adjustments on
Purchased Power Expense, Fuel Expense, and Off-System Sales Credits
Allocate to PAC classes Based on Energy Sales**

	(1) kWh Sales	(2) Ratio	(3) Allocation	(4) Revenue
9 Industrial	98,321,260	0.3042	(1,226,602)	(1,226,602)
10 Residential	64,604,673	0.1999	(805,972)	(805,972)
11 Commercial	17,450,407	0.0540	(217,702)	(217,702)
12 Lighting	2,845,591	0.0088	(35,499)	0
13 Resale	140,028,600	0.4332	(1,746,918)	(1,746,918)
14 Total	323,250,531	1.0000	(4,032,693)	(3,997,194)
15 Purchased Power Proforma				(135,994)
16 Additional Off-System Sales Credits with GRT @ 0.003				(3,896,699)
17 Total Adjustment (allocate as shown above)				(4,032,693)

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012
Docket No. 2013-378-E

Adjustment to Books to Remove Columbia Hydro Plant & Accumulated Amortization

Responsibility for the Columbia Hydroelectric facility was assumed by Lockhart Power in 2011. Throughout the test year 2012, Lockhart Power sold the output of the facility off-system for resale to the City of Columbia. This adjustment is to remove the effective of the Plant and Accumulated Amortization associated with this operation from Lockhart's Historical Cost of Service Study.

		Remove Non-Jurisdictional Asset & Deprn. Values from Historical C.O.S. Study (2012 Balances)	
<u>LINE NO.</u>			
1	Intangible Plant	\$	5,000,000
2	CWIP	\$	1,365,681
3	Total Asset Value	\$	6,365,681
4	Less: Accumulated Amortization	\$	(233,333)
5	Net Plant	\$	6,132,348

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012
Docket No. 2013-378-E

Adjustment to Books to Remove Effect on Historical Cost of Service of DSM Credits

DSM Revenue and Expense Credit Removal Adjustments

To adjust Historical Revenue and Expenses to remove DSM credits applied against specific customers' billings and against Purchased Power Expense.

These credits are flowed through from Duke Energy, and should not affect conventional Industrial Revenue or Purchased Power Expense.

LINE NO.

Cost

1	<u>Revenue</u>	
2	DSM Revenue Credits (Reductions) Made Against Industrial Revenue	\$394,292
3	Entire Amount is Added Back to 2012 Test Year Revenue	\$394,292
4	<u>Expense</u>	
5	Total Credits Received from Duke Against Purchased Power Expense	\$394,292
6	(See Purchased Power Expense Proforma)	
7	Entire Amount is Added Back to 2012 Test Year Expense	\$394,292

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Utility Plant

For Upper Pacolet Hydro, Minimum Flow Hydro, Columbia Hydro & other normal expenditures

LINE NO.	(A)	(B)	(C)	(D)	(E)	(F)
		101	114		107	
		Electric Plant	Electric Plant	Total Depreciable		Total
		<u>in Service</u>	<u>Acquisition</u>	<u>& Amortizable</u>	<u>CWIP</u>	<u>Utility</u>
			<u>Adjustments</u>	<u>Plant</u>		<u>Plant</u>
1	Balance per books: 12/31/2012	55,784,349	303,996	56,088,345	10,266,504	66,354,849
2	Net change through 9/30/2013	8,342,534	0	8,342,534	(5,030,020)	3,312,514
3	Balance per books: 9/30/2013	64,126,883	303,996	64,430,879	5,236,484	69,667,363
4	Reclass of Columbia Hydro Project					
5	- from CWIP to Plant in Service	4,139,806		4,139,806	(4,139,806)	0
6	Total Reclass from CWIP to Plant in Service	4,139,806	0	4,139,806	(4,139,806)	0
7	Proforma Balance: 9/30/2013	68,266,689	303,996	68,570,685	1,096,678	69,667,363
8	Net Changes from 12/31/2012	12,482,340	0	12,482,340	(9,169,826)	3,312,514

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma Depreciation & Amortization

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Asset	Description	Proforma Plant Balance	Gross Acc. Deprn. Per Books 9/30/13	(Cost of Removal) / Salvage	Net Acc. Deprn. Per Books 9/30/13	Unrecovered Balance	Deprn. Rate	Proforma Annual Deprn. / Amort.	Historical Annual Depr. Exp.	Annualized Proforma Adjustment Depr. Exp.	Proforma Accumulated Depreciation
1	Electric Plant in Service										
2	301.000 Organization Expense	403	0		0	403	0.00%	0			
3	302.000 Franchise & Consents - Lockhart Hydro	905,687	375,500		525,500	805,077	2.50%	24,767			
4	302.000 Franchise & Consents - Lower Factual Hydro	225,000	460		460	224,531	2.60%	5,850			
5	302.000 Franchise & Consents - Upper Factual Hydro	100,670	367		367	99,473	2.60%	4,963			
6	302.000 Franchise & Consents - Minimum Flow Hydro	131,815	254		254	121,561	3.77%	4,592			
7	303.000 Miscellaneous Intangible Plant	9,150,808	383,333		383,333	8,766,473	4.19%	376,960			
8	Intangible	10,668,281	719,043	0	719,043	9,949,238		416,739	224,787	191,952	992,008
9	Land and Land Rights										
10	330.000 Structures and Improvements	2,769,580	195,359		195,359	2,574,221	2.00%	58,392			
11	332.000 Reservoirs and Dams	6,772,702	2,526,813		2,526,813	4,245,889	1.57%	60,631			
12	333.000 Waterwheels and Turbines	8,498,275	3,077,226	10,087	3,087,313	5,410,962	2.20%	188,984			
13	334.000 Accessory Electric Equipment	1,443,338	449,280		449,280	994,058	3.77%	54,414			
14	335.000 Mtr. Power Plant Equipment	78,573	34,736		34,736	43,837	2.97%	2,534			
15	336.000 Roads and Railroads	68,205	22,136		22,136	46,069	2.50%	1,705			
16	Hydro Production	18,821,378	6,104,269	16,087	6,120,357	12,800,641		291,480	248,108	143,352	8,484,889
17	Land and Land Rights										
18	340.000 Structures and Improvements	1,158,233	823,443		823,443	334,790	2.88%	33,357			
19	342.000 Fuel Holders, Producers & Acces.	29,844	11,267		11,267	18,577	2.88%	720			
20	344.000 Generators	1,127,068	593,081		593,081	533,987	2.88%	33,900			
21	348.000 Accessory Electric Equipment	0	0		0	0	2.88%	0			
22	Other Production - City Diesel	2,364,214	1,128,781	0	1,128,781	1,235,433		97,894	118,047	(50,651)	1,678,248
23	Land and Land Rights										
24	341.000 Structures and Improvements	234,887	27,713		27,713	207,174	0.00%	11,744			
25	342.000 Fuel Holders, Producers & Acces.	35,562	12,002		12,002	23,560	0.00%	1,778			
26	344.000 Generators	3,002,683	811,886		811,886	2,190,797	0.00%	(80,133)			
27	345.000 Accessory Electric Equipment	748,441	38,012		38,012	710,429	0.00%	37,422			
28	Other Production - All Other	4,881,848	889,393	0	889,393	3,992,455		201,977	114,038	87,852	778,445
29	Land and Land Rights										
30	350.000 Structures and Improvements	51,058	0		0	51,058	0.00%	0			
31	352.000 Station Equipment	2,513,464	1,706,510		1,706,510	847,085	2.75%	70,221			
32	355.000 Poles and Fittings	628,882	633,849	(16,270)	650,119	305,363	3.10%	29,383			
33	358.000 Overhead Cond. and Devices	921,774	915,730	(2,975)	918,755	308,019	2.75%	29,270			
34	Transmission	4,642,817	3,117,878	(15,249)	3,102,629	1,539,684		135,888	119,339	6,770	5,111,109
35	Land and Land Rights										
36	360.000 Structures and Improvements	300,180	142,103	(1,008)	141,097	259,173	2.88%	11,237			
37	362.000 Station Equipment	4,797,224	2,089,009	(1,040)	2,087,969	2,709,255	2.75%	121,824			
38	364.000 Poles, Towers and Fittings	5,963,845	2,857,303	(34,980)	2,762,304	3,201,541	3.42%	203,863			
39	365.000 Overhead Cond. and Devices	3,684,442	2,888,785	(33,481)	2,650,274	1,028,168	3.25%	129,464			
40	367.000 Underground Cond. and Devices	753,650	114,891	(25,400)	80,191	673,459	2.00%	22,610			
41	368.000 Line Transformers	2,930,883	1,010,470		1,010,470	1,920,413	2.78%	80,892			
42	369.000 Service - Distribution	2,102,483	1,728,099	(9,535)	1,718,564	383,919	4.63%	181,650			
43	370.000 Meters - Distribution	1,813,811	895,875		895,875	917,936	2.97%	63,870			
44	373.000 Street Lighting - Distribution	1,812,004	936,897	(14,478)	821,221	990,783	3.60%	96,420			
45	Distribution	24,281,715	13,062,380	(186,005)	12,876,375	11,479,338		791,866	743,467	48,403	13,951,679
46	Structures and Improvements										
47	380.000 Office Furniture and Equipment	471,288	245,587		245,587	225,701	1.82%	7,035			
48	382.000 Transportation Equipment	1,220,330	636,546		636,546	583,784	10.00%	122,633			
49	384.000 Tools, Shop and Garage	184,850	139,633		139,633	44,850	4.00%	7,781			
50	386.000 Laboratory Equipment	12,310	10,441		10,441	1,869	5.50%	0			
51	387.000 Communication Equipment	97,300	80,715		80,715	16,585	7.47%	7,275			
52	General	3,228,369	1,897,829	1	1,897,830	1,330,539		261,897	168,088	73,811	1,871,101
53	Total Electric Plant in Service	69,248,688	20,931,064	(179,260)	20,751,804	41,511,885		2,288,990	1,784,838	504,152	27,256,858
54	115.000 Amort. Elect. Plant Acq. Adjustment	303,000	35,890		35,890	267,110	1.92%	5,837			
55	Total Acquisition Adj.	303,000	35,890	0	35,890	267,110		5,837	5,837	17	35,897
56	Grand Total	69,551,688	20,966,954	(179,260)	20,780,694	41,778,995		2,294,827	1,790,675	520,169	27,292,755

26,390,855

Accumulated Depreciation Balance
 25,442,247 Balance - 12/31/12
 87,032 Add: 8 Mos. 164 Depreciation
 1,722,491 8 Mos. 403 Depreciation
 188,695 3 Mos. 404 Depreciation
 4,365 9 Mos. 480 Depreciation
 (27,646) Less: 9 Mos. F/A Retirement
 26,390,855 Balance - 03/01/2012
 507,169 Add: Depr. Expense Proforma
 27,292,863 Proforma Balance

Notes: Column L = Column F plus Column K

Reconciliation of PWI to Charlie Pannell
 PWI Total Depr. 1,700,658 PWI Accum Depr. 1,850,610
 Less: Columbia Hydro (200,000) Add: Col Hydro @ 12/31/12 733,333
 Less: Transp. Deprn. (100,653)
 Charlie's Total Deprn. 1,400,005 Charlie's Total Accum. Depr. 2,083,949

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma Property-related Tax Adjustment

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
	Description	Per Books As of 12/31/2012	Per Books As of 9/30/2013	Proforma Adjustments	Proforma Taxable Plant	Assess- ment Rate	Assessed Value Base Property	Assessed Value FILOT Property	Latest Average Base Property & Advalorem Tax Levy	FILOT Property Tax Levy	Property Tax
1	Total Utility Plant	66,354,849	66,667,363		66,667,363						
2	Less: CWIP	(10,266,504)	(5,236,484)	4,139,806	(1,096,878)						
3	Less: Intangible Plant	(5,991,070)	(6,528,755)	(4,139,806)	(10,668,561)						
4	Total Utility Plant net of Intangible Plant	50,097,275	57,902,124	0	57,902,124						
5	Total Accumulated Depreciation & Amortization	25,442,247	26,790,694	502,169	27,292,863						
6	Less: Accumulated Amortization of Intangible Plant	(540,348)	(710,043)	(191,965)	(902,008)						
7	Accumulated Depreciation & Amortization net of Intangible Plant	24,901,899	26,080,651	310,204	26,390,855						
8	Net Utility Plant (net of Intangible Plant)	25,195,376			31,511,269						
9	Add: Materials & Supplies Inventory	427,782	406,739		406,739						
10	Total Includable Cost before FILOT Property Adjustment	25,623,158			31,918,008						
11			Tangible	Less:							
12			Book Cost	Tangible							
13			(Net of ARRA	Accumulated	Net Book						
14	Less: Tangible portion of FILOT Property - Net		Grant)	Depreciation	Value						
15	Wellford Landfill Gas Plant		(2,321,393)	29,017	(2,292,376)						
16	Upper Pacolet Hydro Plant		(3,827,096)	7,020	(3,820,076)						
17	Minimum Flow Hydro Plant		(2,712,228)	4,975	(2,707,253)						
18	Net Book Value of FILOT Property		(8,860,717)	41,012	(8,819,705)						
19	Base Taxable Calculations (Net of FILOT Property)				23,098,303	10.5%	2,425,322		0.3941		810,300
20			Tangible	Less:							
21			Book Cost	Tangible							
22			(Net of ARRA	Add: 50% Accumulated	Taxable						
23	FILOT (Fee In Lieu of Tax) Property		Grant)	Depreciation	Cost						
24	Wellford Landfill Gas				2,637,574	6.0%	158,264		0.3443		54,467
25	Upper Pacolet Hydro	3,827,096	754,221	180,641	4,400,675	6.0%	264,041		0.3965		105,220
26	Minimum Flow Hydro	2,712,228	538,928	128,193	3,122,963	6.0%	187,378		0.3108		58,200
27	Taxable Value of FILOT Property				10,161,212						
28	Proforma Property-related Taxes										1,028,207
29	Per Books Property Tax Expense - Test Year										885,830
30	Per Books Advalorem Tax Expense - Test Year										24,831
31	Per Books Total Property-related Taxes - Test Year										890,661
32	Proforma Adjustment for Property-related Taxes										137,546
33	Calculation of Latest Average Base Property & Advalorem Tax Rate										
34	Latest Annual Property Tax Billing-2012 (net of April, 2013 correction)	862,767									
35	Latest Annual Advalorem Tax Billing-2012 (plus April, 2013 correction)	37,403									
36	Total Property-related Tax Billing (Latest)	820,190	=	0.3341							
37	Total Assessed Value related to above billing	2,754,010									

Note: Column D above adjusts Plant and Accumulated Depreciation for known changes at end of Test Year

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Upper Pacolet Hydro Plant Operating Expense

Out-of-pocket incremental expense of operating Upper Pacolet Hydro Plant

Lockhart Power Company completed construction of its Upper Pacolet Hydro Plant in early 2013. The test year 2012, therefore, includes no operating costs for this plant. The name plate rating of this facility is 1,100 kW. Lockhart's existing Lower Pacolet Hydro Plant has a name plate rating of 800 kW. In order to proforma the plant operating cost for the new facility, Lockhart will use the operating experience of its existing facility, and factor these costs by 1,100 / 800.

LINE NO.			Lockhart
	Account	Description	Lower Pacolet Hydro Plant Operating Cost
1	535	Operation Supervision & Engineering	1,934
2	537	Hydraulic Expenses	20
3	538	Electric Expenses	4,478
4	539	Miscellaneous Hydraulic Power Generation Expenses	1,059
5	541	Maintenance Supervision & Engineering	96
6	542	Maintenance of Structures	4,354
7	543	Maintenance of Reservoirs, Dams & Waterways	12,108
8	544	Maintenance of Electric Plant	48,062
9	545	Maintenance of Miscellaneous Hydraulic Plant	5,029
10		Total Operating Cost of Lower Pacolet Hydro Plant in Test Year	77,140
11		Adjustment Factor for Estimating Upper Pacolet Hydro Plant	1.375 (1,100/800)
12		Operating Cost	
13		Proforma Operating Cost for Upper Pacolet Hydro Plant	106,068

Note: Depreciation & property-related taxes costs are not included above, but are included elsewhere in proforma adjustments related to those categories of costs.

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Lockhart Minimum Flow Hydro Plant Operating Expense

Out-of-pocket incremental expense of operating Lockhart Minimum Flow Hydro Plant

Lockhart Power Company completed construction of its Lockhart Minimum Flow Hydro Plant in late December of 2012. The test year 2012, therefore, includes no operating costs for this plant. The name plate rating of this facility is 800 kW. Lockhart's existing Lower Pacolet Hydro Plant has a name plate rating of 800 kW. In order to proforma the plant operating cost for the new facility, Lockhart will use the operating experience of its existing facility as a proxy for these costs.

LINE NO.			Lockhart
	Account	Description	Lower Pacolet Hydro Plant Operating Cost
1	535	Operation Supervision & Engineering	1,934
2	537	Hydraulic Expenses	20
3	538	Electric Expenses	4,478
4	539	Miscellaneous Hydraulic Power Generation Expenses	1,059
5	541	Maintenance Supervision & Engineering	96
6	542	Maintenance of Structures	4,354
7	543	Maintenance of Reservoirs, Dams & Waterways	12,108
8	544	Maintenance of Electric Plant	48,062
9	545	Maintenance of Miscellaneous Hydraulic Plant	5,029
10		Total Operating Cost of Lower Pacolet Hydro Plant in Test Year	77,140
11		Assumed Operating Cost for Lockhart Minimum Flow Hydro Plant to be the same as for Lower Pacolet Hydro Plant.	77,140

Note: Depreciation & property-related taxes costs are not included above, but are included elsewhere in proforma adjustments related to those categories of costs.

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Purchased Power Expense

A proforma adjustment is made to Purchased Power Expense as summarized below:

LINE NO.

1	Removal of credit received in 2012 from Duke for an overcharge from 2010. Expense	68,484
2	for 2012 was reduced by this prior period adjustment, so the adjustment shown here is	
3	an increase to 2012 Purchased Power Expense.	
4	Inclusion of a true-up made by Duke after the close of the test year to reflect	(320,524)
5	the correct cost of power purchased during the test year 2012. The true-up, which was	
6	received after the close of the test year was a credit, so this adjustment is a reduction of	
7	2012 Purchased Power Expense.	
8	Cost of power to be supplied by Duke to replace the generation sold by Lower Pacolet	116,453
9	Hydro Plant off-system. The off-system sales began September 1 of Test Year 2012 and	
10	were replaced by purchases from Duke for September - December. To normalize this	
11	activity prospectively, this adjustment is made to add the amount for the period January	
12	through August to Purchased Power Expense.	
13	Summary:	.
14	Total Purchased Power Expense per test year - 2012	17,540,186
15	Adjustment to books to remove effect of Non-Jurisdictional Contract	(714,125)
16	Adjustment to books to add back DSM credits	394,292
17	Adjusted beginning Purchased Power Expense	17,220,353
18	Proforma net reduction of Purchased Power Expense per above adjustments	(135,587)
19	Final adjusted Jurisdictional Purchased Power Expense	17,084,766

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Wage Increase Annualization

(To adjust test year for two wage adjustments: one effective 12/2/12; next one effective 12/1/13)

LINE NO.

1	A general wage increase averaging 3.1% became effective on employee earnings on or after December 2, 2012.									
2	The last increase prior to this had occurred effective November 27, 2011. The next general wage increase									
3	averaged 3.5%, and became effective on earnings on or after December 1, 2013.									
4	<u>First Wage Adjustment - (Was in Effect for only 4 weeks of the Test Year)</u>									
5	Wages Cost/Hr. after first increase								\$1,214.52	
6	Wages Cost/Hr. before first increase								\$1,178.12	
7	Increase in Wages Cost /Hr.								\$36.40	
8	Weeks in Test Year to Adjust								48	
9	Impact of first increase =									
10	48	Weeks	X	40	Hrs./Week	X	\$36.40	=		\$69,888

11	<u>Second Wage Adjustment - (Was in Effect for None of the Test Year)</u>									
12	Wages Cost/Hr. after second increase								\$1,315.40	
13	Wages Cost/Hr. before second increase								\$1,270.91	
14	Increase in Wages Cost /Hr.								\$44.49	
15	Weeks in Test Year to Adjust								52	
16	Impact of second increase =									
17	52	Weeks	X	40	Hrs./Week	X	\$44.49	=		\$92,539

18	Total Proforma for Wage Adjustments									\$162,427
----	--	--	--	--	--	--	--	--	--	------------------

19										
20	<u>Recap of Proforma Adjustment</u>								Capital/Expense	
									Rate	
21	Proforma Expense Adjustment (Expense Rate X Line 25)								77.88%	\$126,490
22	Proforma Capital Adjustment (Capital rate X Line 25)								22.12%	\$35,937
23	Total Proforma for Wage Adjustments								100.00%	\$162,427

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Employee Count Adjustment

(To adjust test year for employee count changes)

New employee hires were made both during the 2012 test year and for a period of time into 2013, which resulted in complement additions that must be normalized. In addition, certain employees had only a partial year's earnings during the Test Year. Both categories are herein adjusted to reflect a normal year of cost.

LINE NO.

1 Additional annual salaries not included in Test Year \$204,124

2 Total \$204,124

3 Capital/Expense

4 Recap of Proforma Adjustment

Rate

5 Proforma Expense Adjustment (Expense Rate X Line 25)

77.88%

\$158,962

6 Proforma Capital Adjustment (Capital rate X Line 25)

22.12%

\$45,162

7 **Total Proforma for Wage Adjustments**

100.00%

\$204,124

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Fringe Benefits on Earnings-Related Adjustments

LINE NO.			
1	Wage Increase Annualization (See Proforma)		
2	Expense	126,490	
3	Capital	35,937	
4	Total Wage Rate Adjustments	<u>162,427</u>	
5	Employee Count Adjustment (See Proforma)		
6	Expense	158,962	
7	Capital	45,162	
8	Total Employee Count Adjustments	<u>204,124</u>	
9	Total Earnings Adjustments		
10	Expense	285,452	
11	Capital	81,099	
12	Total Wage Adjustments	<u>366,551</u>	
13	Fringe Benefits Rate	15.37%	
14	Additional Fringe Benefits		\$56,339

**Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E**

Proforma - Officer's Performance Bonus Adjustment

During the Test Year 2012, an Officer's Performance Bonus was included in expense. This proforma adjustment effectively removes the accrued cost of the bonus from cost of service.

LINE NO.

1	Total Officer's Performance Bonus expense accrued in 2012 Test Year	87,000
2	Total is Removed From 2013 Test Year Administrative & General Expense	(87,000)

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Rate Case Expense

Cost incurred in connection with 2013 Retail Rate Case

LINE NO.

1					<u>Cost</u>
2	P. Moul & Associates				29,000
3	Parmelee & Associates				50,000
4	McNair Law Firm P.A.				45,000
5	Printing and Customer Notification				6,000
6	Total Cost				<u>130,000</u>
7	Amortization Period - 4 Years				
8	Adjustment 1	Proforma Amortization Amount	$\frac{130,000}{4}$	=	32,500 / Year
9					
10	Adjustment 2	Remove prior rate case expense amortization from test year 2012			(65,759)

**Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E**

Proforma - Lease of New Office Space

As Lockhart has continued to grow its operations and added new personnel, it has outgrown the office space from which it has operated for more than 50 years. To address this challenge, and to provide a more customer-friendly access to its business office, Lockhart has leased new office space. The transition into the new office occurred in November, 2013. This proforma is to add the new lease expense to cost of service.

LINE NO.

1	Annual Cost of New Leased Office Space	104,000
----------	--	---------

2	Total Proforma Increase to General & Administrative Expense	<div style="border: 1px solid black; padding: 2px;">104,000</div>
----------	---	---

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Industrial Customer Power Factor Adjustment

During the 2012 Test Year, billings for a power factor adjustment were made to one of the Company's largest industrial customers, Gestamp South Carolina, LLC. These billings will not repeat, prospectively, and should be removed from cost of service.

LINE NO.

1	Gestamp Power Factor Penalty Billings Included in Test Year	100,809
----------	---	---------

2	Total Related Industrial Revenue Removed from 2012 Test Year	
----------	--	--

(100,809)

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Small Hydro Off-System Sales Adjustments
(Excludes Columbia Hydro)

The amounts below represent adjustments to reflect the sales of electric energy that Lockhart Power will realize annually from the operation of its three small hydroelectric plants. These sales are made off-system at negotiated contract prices. The entire proceeds of these sales will be credited back to our requirements customers as a reduction of their revenue requirement via the Company's power adjustment clauses. This process results in a greater benefit to the customer than would have resulted, had the power been sold internally, thus avoiding only the incremental cost of the reduced purchased power at the wholesale rate. Adjustments 1 and 2 capture the required adjustment to normalize the test year for the full year effect of sales from all three plants.

LINE NO.	Year	MWH Generated	Contract Selling Price per MWH to Duke	Total Sales
1	2014	17,070.205	\$84.05	1,434,751
2	2015	17,070.205	\$86.15	1,470,598
3	2016	17,070.205	\$88.31	1,507,470
4	2017	17,070.205	\$90.52	1,545,195
5	Total \$ Sales for First 4 Years			5,958,014
6	Average Annual Sales			1,489,504
7	Less: Related Partial Year Wholesale Revenue Already Included in Test Year			(108,103)
8	Average Annual Additional Sales			1,381,401
9	Adjustment 1	Addition to Resale Revenue For Full Year of New Off-System Sales		1,381,401
10	Adjustment 2	Reduction of Revenue For Full Year of Pass-through to Requirements		
11		Customers via Power Adjustment Clauses		(1,381,401)

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - Columbia Hydro Revenue & Expense

Responsibility for the Columbia Hydroelectric facility was assumed by Lockhart Power in 2011. In 2012, Lockhart Power commenced a multi-year \$4MM Rehabilitation Plan to renovate or replace a variety of components and systems. This included rehabilitating two of the seven turbines that were out of service, replacing the plant control system and electrical switchgear, refurbishing various gates and turbine components, adding trash rakes, and many other activities designed to increase plant production and improve safety. As a result, 2012 results were indicative of the historical performance pre-Lockhart, and 2013 results reflected partial year performance for most of the major improvements. All improvements were complete by the end of 2013. This proforma establishes normal activity levels and incorporates Columbia Hydro operations into Cost of Service for all requirements customers.

LINE NO.		2013 Actual	Add to Proforma C.O.S. Study Revenue & Expense going Forward		Note	Reduction of Revenue for Pass-through to Requirements Customers via Power Adj. Clause
			2013 Adjusted			
1	Resale Revenue	\$ 2,054,338	\$ 2,503,643		1	
2	Other Electric Revenue	\$ -	\$ -			
3	Production Expense	\$ 535,804	\$ 535,804			
4	Amortization	\$ 244,352	\$ 200,000		2	
5	Interest	\$ 4,712	\$ -			
6	G & A	\$ 986	\$ 1,160		3	
7	Other Taxes	\$ 13,368	\$ 15,727		3	
8	Total Income (pre-tax)	\$ 1,255,116	\$ 1,750,952			
9	All Requirements Customers					\$ (2,503,643)
10	Note 1: It is estimated that the facility lost 15% due to outages associated with the major rehabilitation					
11	projects, including a two month period beginning in mid-April during which the facility was either completely					
12	or partially shut down. The adjustment to compensate actual generation on a going-forward basis follows:					
13	2013 generation adjusted	37,643 / 0.85 =	44,286	MWh/yr		
14	Gen. Credit Loss Factor	44,286 x 0.92 =	40,743	MWh/yr		
15	Gen. Credit Guignard Legacy	40,743 - 3942 =	36,801	MWh/yr		
16	Gen. Credit - LPC Allocation	36,801 x 0.81 =	29,809	MWh/yr		
17	Multiply by 11/1/13 Rate	29,809 x \$83.99 =	\$ 2,503,643	/year		
18	The latest SCE&G rate is used instead of an average of the rate over the next four years, since					
19	this rate is not contractually determined in advance, and is not known or measurable.					
20	Note 2: Actual amortization from 2012 was used here. An additional \$176,560 is included in Exhibit A3-9,					
21	which was an overall proforma for all Depreciation & Amortization. (\$376,560 - \$200,000 = \$176,560)					
22	Note 3: G & A and Other Taxes Expense generally increase linearly with revenues, so adjust those by the					
23	same 15% factor as in Note 1:					
24		\$986/0.85 =	\$	1,160		
25		\$13,368/0.85 =	\$	15,727		

Lockhart Power Company
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Proforma - I.T. Infrastructure Cost

Out-of-pocket incremental expense associated with operation of new I.T. system.

Lockhart Power Company replaced its 18-Year old I.T. System in 2012. In addition to this upgrade, and as a part of the company's move into its new office space, it upgraded its entire telephone system. The ongoing cost of these upgrades, such as I.T. support, system hosting and new telephone and call routing system has increased. This proforma is to adjust for the increase in cost.

LINE NO.		I. T. Infrastructure <u>Cost</u>
1	New Annualized Cost	187,124
2	Test Year 2012 Cost	148,352
3	Increase	<u>38,772</u>

Lockhart Power Co.
Present Revenues vs. Revenues at Equal Rate of Return vs. Revenues for Proposed Rates
Docket No. 2013-378-E

Description		(1) Total Retail	(2) Industrial Service	(3) Residential Service	(4) Commercial Service	(5) Street Lighting	(6) Outdoor Lighting
Revenues Under Present Rates (Historical 2012 Case)							
1 Base Rate Revenue	(\$)	15,586,295	6,169,783	7,142,339	1,831,356	47,274	395,543
2 Power Adj. Clause Revenue	(\$)	2,182,310	1,196,165	773,716	212,429	0	0
3 Subtotal Rate Revenue	(\$)	17,768,605	7,365,948	7,916,055	2,043,785	47,274	395,543
4 Other Allocated Revenue	(\$)	598,948	302,420	226,788	60,546	929	8,264
5 Total Revenue	(\$)	18,367,553	7,668,368	8,142,843	2,104,331	48,203	403,807
6 Rates of Return	%	9.60%	16.54%	8.07%	6.79%	9.86%	9.51%
Revenues at Equal Rates of Return of 12.5% (Equal ROR Case)							
7 Base Rate Revenue	(\$)	18,971,820	6,578,036	9,475,845	2,400,341	53,694	463,903
8 Power Adj. Clause Revenue	(\$)	0	0	0	0	0	0
9 Subtotal Rate Revenue	(\$)	18,971,820	6,578,036	9,475,845	2,400,341	53,694	463,903
10 Other Allocated Revenue	(\$)	2,801,033	1,484,112	1,003,251	270,277	4,673	38,721
11 Total Revenue	(\$)	21,772,853	8,062,148	10,479,096	2,670,617	58,367	502,624
12 Rates of Return	%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
13 Rate Rev Incr to Eq ROR (9 - 3)	(\$)	1,203,215	(787,912)	1,559,790	356,556	6,420	68,360
14 % Increase to Equal ROR		6.77%	-10.70%	19.70%	17.45%	13.58%	17.28%
Revenues at Proposed Rates (Proposed Case)							
15 Adjust Eq. ROR Revenue Incr. *	(\$)	(0)	687,103	(538,256)	(123,041)	(2,216)	(23,590)
16 Proposed Rev. Increase (13 + 15)	(\$)	1,203,215	(100,809)	1,021,534	233,515	4,205	44,770
17 Base Rate Revenue (7 + 15)	(\$)	18,971,820	7,265,139	8,937,589	2,277,300	51,479	440,313
18 Power Adj. Clause Revenue	(\$)	0	0	0	0	0	0
19 Subtotal Rate Revenue	(\$)	18,971,820	7,265,139	8,937,589	2,277,300	51,479	440,313
20 Other Allocated Revenue	(\$)	2,801,033	1,484,112	1,003,251	270,277	4,673	38,721
21 Total Revenue	(\$)	21,772,853	8,749,251	9,940,840	2,547,576	56,151	479,034
22 Rates of Return	%	12.50%	17.73%	10.04%	10.31%	11.13%	10.72%
Proposed Revenues vs. Present Revenues							
23 Base Rate Increase (17 -1)	(\$)	3,385,525	1,095,356	1,795,250	445,944	4,205	44,770
24 Percentage Increase (23 / 1)	%	21.72%	17.75%	25.14%	24.35%	8.89%	11.32%
25 Rate Revenue Increase (19 -3)	(\$)	1,203,215	(100,809)	1,021,534	233,515	4,205	44,770
26 Percentage Increase (25 / 3)	%	6.77%	-1.37%	12.90%	11.43%	8.89%	11.32%

27 * Proposed rate revenues are based on the equal ROR revenue increases, with the Industrial class revenues maintained at
28 present rate levels, and the indicated decrease for the Industrial class allocated to Residential, Commercial, and Lighting
29 classes proportional to the equal ROR increase amounts. With the industrial rate revenue at present rate levels, the proposed
30 rate level is \$100,809 lower than the Historical COS rate revenues due to the proforma adjustment for power factor billing per
31 Exhibit A3-20.

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2012

PRESENT RATES
Docket No. 2013-378-E

Description	Bills	Billing Demand	Kilowatt-hours	Rate	Revenue	Correction Factor	Corrected Revenue
1 RESIDENTIAL SERVICE - SCHEDULE R							
2 Annual Bills	45,560			\$7.00	\$318,920		
3 First 1000 kWh			32,853,475	\$0.1024	\$3,364,196		
4 Over 1000 kWh			12,155,286	\$0.1151	\$1,399,073		
5 Total Sch. R	45,560		45,008,761	\$0.1129	\$5,082,189	1.0000478	\$5,082,432
6 RESIDENTIAL SERVICE, ALL ELECTRIC - SCHEDULE RA							
7 May - September							
8 Bills	5,973			\$7.00	\$41,811		
9 First 1000 kWh			5,289,219	\$0.1024	\$541,616		
10 Over 1000 kWh			3,101,174	\$0.1151	\$356,945		
11 Total Summer	5,973		8,390,393	\$0.1121	\$940,372		
October through April							
12 Bills	8,334			\$7.00	\$58,338		
13 First 1000 kWh			7,302,740	\$0.1024	\$747,801		
14 Over 1000 kWh			3,902,780	\$0.0803	\$313,393		
15 Total Winter	8,334		11,205,520	\$0.0999	\$1,119,532		
16 Total Sch. RA	14,307		19,595,913	\$0.1051	\$2,059,904	1.0000005	\$2,059,905
17 Total Residential	59,867		64,604,674	\$0.1106	\$7,142,093		\$7,142,337
18 GENERAL SERVICE COMMERCIAL - SCHEDULE C3							
19 Annual Bills	14,580			\$7.25	\$105,705		
20 Billed Demand		22,146		\$4.00	\$88,584		
21 First 3000 kWh			6,409,154	\$0.1344	\$861,390		
22 Over 3000 kWh			4,483,819	\$0.0738	\$330,906		
23 Over 200 hrs use			2,361,175	\$0.0437	\$103,183		
24 Subtotal Sch. C3	14,580	22,146	13,254,148	\$0.1124	\$1,489,768	0.9999007	\$1,489,620
25 plus Extra Facilities							\$25
26 Total Sch. C3							\$1,489,645
GENERAL SERVICE, ALL ELECTRIC - SCHEDULE GA							
May through September							
25 Annual Bills	175			\$7.25	\$1,269		
26 Billed Demand		3,205		\$4.00	\$12,820		
27 First 3000 kWh			358,277	\$0.1344	\$48,152		
28 Over 3000 kWh			779,838	\$0.0738	\$57,552		
29 Over 200 hrs use			665,367	\$0.0437	\$29,077		
30 Total Summer	175	3,205	1,803,482	\$0.0825	\$148,870		
October through April							
31 Annual Bills	244			\$7.25	\$1,769		
32 Billed Demand		5,506		\$3.70	\$20,372		
33 First 3000 kWh			474,397	\$0.1267	\$60,106		
34 Over 3000 kWh			1,075,762	\$0.0687	\$73,905		
35 Over 200 hrs use			842,618	\$0.0412	\$34,716		
36 Total Winter	244	5,506	2,392,777	\$0.0798	\$190,868		
37 Subtotal Sch. GA	419	8,711	4,196,259	\$0.0810	\$339,738	1.0038206	\$341,036
38 plus Extra Facilities							\$675
39 Total Sch. GA							\$341,711
40 Total Commercial	14,999	30,857	17,450,407	\$0.1048	\$1,829,506		\$1,831,356

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2012

PRESENT RATES
Docket No. 2013-378-E

Description	Bills	Billing Demand	Kilowatt-hours	Rate	Revenue	Correction Factor	Corrected Revenue
1 INDUSTRIAL SERVICE - SCHEDULE I							
2 Annual Bills	109			\$0.00	\$0		
3 Billed Demand		226,196		\$3.50	\$791,686		
4 First 50,000 kWh			5,212,400	\$0.0832	\$433,672		
5 Over 50,000 kWh			38,987,704	\$0.0670	\$2,612,176		
6 Over 200 hrs use			54,121,156	\$0.0410	\$2,218,967		
7 Subtotal Sch. I	109	226,196	98,321,260	\$0.0616	\$6,056,501		
8 Pwr Factor Demand		11,592		\$3.50	\$40,572		
9 Over 50,000 kWh			2,318,400	\$0.0670	\$155,333		
10 Over 200 hrs use			(2,318,400)	\$0.0410	(\$95,054)		
11 Subtotal Sch. I - PF		11,592	0		\$100,851		
12 Subtotal Sch. I	109	237,788	98,321,260	\$0.0626	\$6,157,352	0.9999881	\$6,157,279
13 plus Extra Facilities							\$12,504
14 Total Sch. I							\$6,169,783
15 TOTAL Res Com Ind	74,975	268,645	180,376,341	\$0.0839	\$15,128,951		\$15,143,476
16 STREET LIGHTING SERVICE - SCHEDULE SL							
17 100/175 Watt Open	348	4,176		\$8.08	\$33,742		
18 100/175 Watt Encl	1	12		\$9.30	\$112		
19 400 Watt Encl	26	312		\$15.00	\$4,680		
20 TOTAL Sch. SL	375	4,500	305,136	\$0.1263	\$38,534	NA	\$38,534
21 OUTDOOR LIGHTING SERVICE - SCHEDULE OL							
22 100Watt / 175Watt	3,209	38,508		\$8.58	\$330,399		
23 400 Watt	239	2,868		\$15.82	\$45,372		
24 1,000 Watt	49	588		\$44.50	\$26,166		
25 Poles	9	108		\$2.95	\$319		
26 TOTAL Sch. OL	3,448	41,376	2,131,724	\$0.1887	\$402,256	NA	\$402,256
27 Total SL & OL	3,823	45,876	2,436,860	\$0.1809	\$440,790		\$440,790
28 Grand Total			182,813,201	\$0.0852	\$15,569,741		\$15,584,266
29 Billing Adjustments							(\$394,292)
30 Lighting Overstatement							\$2,027
31 Booked Base Revenue							\$15,192,001

LOCKHART POWER COMPANY

Docket No. 2013-378-E

BOOKED REVENUES vs BILLING DETERMINANTS COMPUTATION OF BILLING DETERMINANT CORRECTION FACTORS TEST YEAR ENDED DECEMBER 31, 2012

Rate Schedule	Total Rate Revenue per Books	PAC Revenue per Books	Base Rate Revenue	Extra Facilities	Billing Adjustments	Adjusted Base Rate Revenue	Base Rate Revenue per Billing Determinants	Diff.	Correction Factor
1 Schedule R	\$5,621,331	\$538,899	\$5,082,432	\$0	\$0	\$5,082,432	\$5,082,189	\$243	1.0000478
2 Schedule RA	\$2,294,722	\$234,817	\$2,059,905	\$0	\$0	\$2,059,905	\$2,059,904	\$1	1.0000005
3 Subtotal Res'l.	\$7,916,053	\$773,716	\$7,142,337	\$0	\$0	\$7,142,337	\$7,142,093	\$244	
4 Schedule C3	\$1,650,400	\$160,755	\$1,489,645	(\$25)	\$0	\$1,489,620	1,489,768	(\$148)	0.9999007
5 Schedule GA	\$393,385	\$51,674	\$341,711	(\$675)	\$0	\$341,036	339,738	\$1,298	1.0038206
6 Subtotal Commercial	\$2,043,785	\$212,429	\$1,831,356	(\$700)	\$0	\$1,830,656	\$1,829,506	\$1,150	
7 Schedule I	\$6,971,656	\$1,196,165	\$5,775,491	(\$12,504)	\$394,292	\$6,157,279	6,157,352	(\$73)	0.9999881
8 Schedule SL	\$47,275	\$0	\$47,275	\$0	\$0	\$47,275	\$38,534	\$8,741	NA
9 Schedule OL	\$395,542	\$0	\$395,542	\$0	\$0	\$395,542	\$402,256	(\$6,714)	NA
10 Totals	\$17,374,311	\$2,182,310	\$15,192,001	(\$13,204)	\$394,292	\$15,573,089	\$15,569,741	\$3,348	

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2012

PROPOSED RATES
Docket No. 2013-378-E

Description	Bills	Billing Demand	Kilowatt-hours	Rate	Revenue	Correction Factor	Corrected Revenue	Rev. Target Difference % Difference
1 RESIDENTIAL SERVICE - SCHEDULE R								
2 Annual Bills	45,560			\$8.75	\$398,650			
3 First 1000 kWh			32,853,475	\$0.1281	\$4,208,530			
4 Over 1000 kWh			12,155,286	\$0.1440	\$1,750,361			
5 Total Sch. R	45,560		45,008,761	\$0.1413	\$6,357,541	1.0000478	\$6,357,845	
6 RESIDENTIAL SERVICE, ALL ELECTRIC - SCHEDULE RA								
7 May - September								
8 Bills	5,973			\$8.75	\$52,264			
9 First 1000 kWh			5,289,219	\$0.1281	\$677,549			
10 Over 1000 kWh			3,101,174	\$0.1440	\$446,569			
11 Total Summer	5,973		8,390,393	\$0.1402	\$1,176,382			
October through April								
12 Bills	8,334			\$8.75	\$72,923			
13 First 1000 kWh			7,302,740	\$0.1281	\$935,481			
14 Over 1000 kWh			3,902,780	\$0.1012	\$394,961			
15 Total Winter	8,334		11,205,520	\$0.1252	\$1,403,365			
16 Total Sch. RA	14,307		19,595,913	\$0.1316	\$2,579,747	1.0000005	\$2,579,748	
17 Total Residential	59,867		64,604,674	\$0.1383	\$8,937,288		\$8,937,593	\$8,937,589 \$4 0.0000%
18 GENERAL SERVICE COMMERCIAL - SCHEDULE C3								
19 Annual Bills	14,580			\$9.00	\$131,220			
20 Billed Demand		22,146		\$5.50	\$121,803			
21 First 3000 kWh			6,409,154	\$0.1629	\$1,044,051			
22 Over 3000 kWh			4,483,819	\$0.0979	\$438,966			
23 Over 200 hrs use			2,361,175	\$0.0486	\$114,753			
24 Subtotal Sch. C3	14,580	22,146	13,254,148	\$0.1396	\$1,850,793	0.9999007	\$1,850,609	
25 plus Extra Facilities							\$25	
26 Total Sch. C3							\$1,850,634	
GENERAL SERVICE, ALL ELECTRIC - SCHEDULE GA								
May through September								
25 Annual Bills	175			\$9.00	\$1,575			
26 Billed Demand		3,205		\$5.50	\$17,628			
27 First 3000 kWh			358,277	\$0.1629	\$58,363			
28 Over 3000 kWh			779,838	\$0.0979	\$76,346			
29 Over 200 hrs use			665,367	\$0.0486	\$32,337			
30 Total Summer	175	3,205	1,803,482	\$0.1033	\$186,249			
October through April								
31 Annual Bills	244			\$9.00	\$2,196			
32 Billed Demand		5,506		\$5.10	\$28,081			
33 First 3000 kWh			474,397	\$0.1515	\$71,871			
34 Over 3000 kWh			1,075,762	\$0.0910	\$97,894			
35 Over 200 hrs use			842,618	\$0.0451	\$38,002			
36 Total Winter	244	5,506	2,392,777	\$0.0995	\$238,044			
37 Subtotal Sch. GA	419	8,711	4,196,259	\$0.1011	\$424,293	1.0038206	\$425,914	
38 plus Extra Facilities							\$675	
39 Total Sch. GA							\$426,589	
40 Total Commercial	14,999	30,857	17,450,407	\$0.1304	\$2,275,086		\$2,277,223	\$2,277,300 (\$77) -0.0034%

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2012

PROPOSED RATES
Docket No. 2013-378-E

Description	Bills	Billing Demand	Kilowatt-hours	Rate	Revenue	Correction Factor	Corrected Revenue	Rev. Target Difference % Difference
1 INDUSTRIAL SERVICE - SCHEDULE I								
2 Annual Bills	109			\$0.00	\$0			
3 Billed Demand		226,196		\$4.80	\$1,085,741			
4 First 50,000 kWh			5,212,400	\$0.1048	\$546,260			
5 Over 50,000 kWh			38,987,704	\$0.0817	\$3,185,295			
6 Over 200 hrs use			54,121,156	\$0.0450	\$2,435,452			
7 Subtotal Sch. I	109	226,196	98,321,260	\$0.0738	\$7,252,748			
8 Pwr Factor Demand *		0		\$4.80	\$0			
9 Over 50,000 kWh			0	\$0.0817	\$0			
10 Over 200 hrs use			0	\$0.0450	\$0			
11 Subtotal Sch. I - PF		0	0		\$0			
12 Subtotal Sch. I	109	226,196	98,321,260	\$0.0738	\$7,252,748	0.9999881	\$7,252,661	
13 plus Extra Facilities							\$12,504	
14 Total Sch. I							\$7,265,165	\$7,265,139 \$26 0.0004%
15 TOTAL Res Com Ind	74,975	257,053	180,376,341	\$0.1024	\$18,465,122		\$18,479,981	\$18,480,028 (\$47) -0.0003%
Description	Dec 2012 Bills	Dec 2012 Bills x 12	Kilowatt-hours	Rate	Revenue	Correction Factor	Corrected Revenue	
16 STREET LIGHTING SERVICE - SCHEDULE SL								
17 100/175 Watt Open	348	4,176		\$10.79	\$45,059			
18 100/175 Watt Encl	1	12		\$12.42	\$149			
19 400 Watt Encl	26	312		\$20.09	\$6,268			
20 TOTAL Sch. SL	375	4,500	305,136		\$51,476	NA	\$51,476	\$51,479 (\$3) -0.0054%
21 OUTDOOR LIGHTING SERVICE - SCHEDULE OL								
22 100Watt / 175Watt	3,209	38,508		\$9.39	\$361,590			
23 400 Watt	239	2,868		\$17.34	\$49,731			
24 1,000 Watt	49	588		\$48.71	\$28,641			
25 Poles	9	108		\$3.23	\$349			
26 TOTAL Sch. OL	3,448	41,376	2,131,724	\$0.2066	\$440,311	NA	\$440,311	\$440,313 (\$2) -0.0005%
27 Total SL & OL	3,823	45,876	2,436,860	\$0.2018	\$491,787		\$491,787	\$491,792
28 Grand Total			182,813,201	\$0.1037	\$18,956,909		\$18,971,768	\$18,971,820 (\$52) -0.0003%

* Power factor billing removed per Exhibit A3-20

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2012 - Proforma
Docket No. 2013-378-E

Computation of Power Adjustment Clause Base Amount

1	Purchased Power Cost	\$17,084,765
2	Fuel Cost	186,644
3	Revenue Credits	<u>(4,803,352)</u>
4	Total	\$12,468,057
5	Total Sales of Electricity	323,250,531 kwh
3	Power Adjustment Clause Base (ln4/ln2)	3.8571 cents per kwh

Lockhart Power Co.
Rates of Return on Rate Base and Equity

Docket No. 2013-378-E

Description	(1) Total Retail	(2) Industrial Service	(3) Residential Service	(4) Commercial Service	(5) Street Lighting	(6) Outdoor Lighting
Present Rates (Historical 2012 Case)						
1 Return	\$1,836,969	\$1,064,704	\$551,272	\$163,318	\$7,165	\$50,511
2 Rate Base	\$21,897,553	\$6,221,678	\$11,797,816	\$3,013,405	\$93,708	\$770,946
3 Return on Rate Base and Equity *	8.39%	17.11%	4.67%	5.42%	7.65%	6.55%
Proposed Rates						
4 Return	\$3,308,302	\$1,462,269	\$1,381,699	\$363,734	\$11,280	\$89,320
5 Rate Base	\$26,466,418	\$8,248,844	\$13,755,683	\$3,527,551	\$101,360	\$832,981
6 Return on Rate Base and Equity *	12.50%	17.73%	10.04%	10.31%	11.13%	10.72%

* Lockhart Power Company is 100% equity financed.
 Consequently, Return on Rate Base is equal to Return on Equity.

Lockhart Power Co.

Fixed Assets and Depreciation Reserve
Year Ended December 31, 2012

Docket No. 2013-378-E

Description	Total Lockhart (1)	Total Retail (2)	Industrial Service (3)	Residential Service (4)	Commercial Service (5)	Street Lighting (6)	Outdoor Lighting (7)	Resale (8)
1 Plant in Service								
2 Production	\$19,071,813	\$10,742,289	\$5,163,693	\$4,321,054	\$1,160,893	\$10,651	\$85,998	\$8,329,524
3 Transmission	4,457,034	2,502,758	1,134,511	1,067,553	286,182	1,613	12,899	1,954,276
4 Distribution	23,415,776	22,724,292	1,218,483	15,990,149	3,848,328	181,569	1,485,763	691,484
5 General	3,152,652	2,408,423	531,929	1,417,333	354,129	10,002	95,031	744,229
6 Intangible	991,070	559,085	276,417	218,082	58,660	652	5,275	431,985
7 Total Plant in Service	51,088,345	38,936,848	8,325,033	23,014,171	5,708,191	204,486	1,684,966	12,151,497
8 Accumulated Depr. & Amort.								
9 Production	7,691,226	4,334,701	2,106,650	1,723,198	463,164	4,589	37,098	3,356,525
10 Transmission	3,023,658	1,697,875	769,654	724,230	194,146	1,095	8,750	1,325,783
11 Distribution	12,449,811	12,090,715	632,749	8,519,357	2,049,226	96,852	792,531	359,096
12 General	1,705,679	1,303,029	287,790	766,819	191,594	5,411	51,415	402,650
13 Intangible	338,540	190,684	91,660	76,702	20,607	189	1,527	147,856
14 Total Accum. Depr.	25,208,914	19,617,004	3,888,503	11,810,306	2,918,737	108,136	891,321	5,591,910
15 Net plant								
16 Production	11,380,587	6,407,589	3,057,042	2,597,856	697,729	6,062	48,900	4,972,998
17 Transmission	1,433,376	804,884	364,857	343,324	92,036	519	4,148	628,492
18 Distribution	10,965,965	10,633,577	585,734	7,470,792	1,799,102	84,717	693,232	332,388
19 General	1,446,973	1,105,394	244,140	650,513	162,535	4,590	43,616	341,579
20 Intangible	652,530	368,401	184,757	141,380	38,053	462	3,748	284,129
21 Total Net plant	25,879,431	19,319,844	4,436,530	11,203,865	2,789,454	96,350	793,645	6,559,587